

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 358 - HB 572

February 20, 2023

SUMMARY OF BILL: Authorizes the State Treasurer to sell or otherwise liquidate a security between eight and twelve months after receiving the security if the State Treasurer determines the security to have a de minimus value. Defines “de minimus value” as the market value of a security, held for any person or group of persons, equaling less than \$500 in the aggregate. Authorizes the State Treasurer to sell a security immediately after the State Treasurer takes custody of the security if the records of the security holder do not reflect the identity of the person entitled to the security.

ESTIMATED FISCAL IMPACT:

Decrease State Expenditures – \$62,500/FY23-24

Exceeds \$15,600/FY24-25 and Subsequent Years

Other Fiscal Impact – There will an increase in state revenue in FY23-24 as a result of securities with a value of less than \$500 being sold earlier than under current law. However, the amount of such increase is currently unknown.

Assumptions:

- Pursuant to Tenn. Code Ann. § 66-29-142(a), the State Treasurer is currently required to liquidate all securities no sooner than 32 months, but no later than 36 months, after receiving the security.
- The proposed legislation authorizes the State Treasurer to liquidate securities between eight and twelve months if the security has a de minimus value.
- Permitting the State Treasurer to liquidate eligible securities within a shorter time period after receiving the security will reduce the total custody costs Treasury pays to its Unclaimed Property Division to maintain custody of securities.
- The Unclaimed Property Division is currently holding 1,096 securities with a value of \$500 or less.
- The Unclaimed Property Division currently charges the Treasury \$4.75 a month, or \$57.00 a year, to hold securities in their Division. The proposed legislation would eliminate 20 to 28 months of custody costs for all securities valued at \$500 or less.
- For the purposes of this analysis, it is assumed the average security valued at \$500 or less will be liquidated 24 months earlier than otherwise expected absent the proposed legislation.

SB 358 - HB 572

- For the purposes of this analysis, it is assumed the during the average fiscal year, the Unclaimed Property Division will hold at least 25 percent of the current number of securities with a value of \$500 or less held, as a result of the proposed legislation requiring the State Treasurer to liquidate these securities 24 months earlier than what is currently required.
- The decrease in state expenditures is estimated to be \$62,472 (\$57 x 1,096) in FY23-24, and an amount exceeding \$15,618 [$\$57 \times (1,096 \times 25\%)$] in FY24-25 and subsequent years.
- Pursuant to Tenn. Code Ann. § 66-29-146(a), the treasurer is required to deposit the proceeds from the sale of unclaimed property in the General Fund.
- Permitting the State Treasurer to liquidate eligible securities within a 20 to 28-month shorter time period after receiving the security will create shift in state revenues and result in an increase in revenue in FY23-24. Net impacts of such shifts in subsequent years are unknown but are assumed to be not significant. The increase in FY23-24 is currently unknown.
- Any additional responsibilities related to ensuring compliance with the new timeframes for liquidating eligible securities and related to immediately selling securities if the security holder's records do match the identity of the person entitled to security will be absorbed by utilizing existing resources.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/mk